

Message Text

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ACTION SS-25

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C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 2648

EXDIS

TREASURY FOR SHULTZ; STR FOR EBERLE AND STATE FOR CASEY

E. O. 11652: GDS

TAGS: ETRD, EEC, SP, IS

SUBJECT: SPAIN AND ISRAEL: US DISCUSSION WITH
COMMISSION VICE PRESIDENT SOAMES

1. SUMMARY. STOESSEL, MALMGREN AND GREENWALD MET WITH EC COMMISSION VICE PRESIDENT SOAMES ON MAY 13 TO INFORM HIM OF US INTENTION TO REQUEST CONSULTATIONS UNDER GATT ARTICLE XXIII.1 WITH REGARD TO DISCRIMINATION AND TRADE DAMAGE RESULTING FROM EC PREFERENTIAL TRADE AGREEMENTS WITH SPAIN AND ISRAEL. THEY ALSO DESCRIBED US DESIRE TO BEGIN A PROCESS OF DISCUSSION OF THE BROADER ISSUES RAISED BY EC TRADE PREFERENTIAL RELATIONSHIPS TOWARD THE GOAL OF FINDING ALTERNATIVES TO THE PRESENT SYSTEM. SOAMES ACCEPTED THE FACT THAT THE US HAD A RIGHT TO CONSULT WITH THE EC IF IT WISHED. SOAMES REACTED VERY NEGATIVELY, HOWEVER, TO THE ADDITIONAL US SUGGESTION FOR GENERAL EXAMINATION OF PREFERENTIAL RELATIONSHIPS. HE INTERPRETED THIS AS A BASIC ATTACK ON THE EC TRADE AGREEMENTS IN GENERAL AND PARTICULARLY THOSE WITH THE EFTA NON- APPLICANT COUNTRIES. HE FELT CONSTRAINED TO REPORT TO THE MAY 14-15 EC COUNCIL BOTH ELEMENTS OF THE US POSITION IN VIEW OF THE HIGH POLITICAL CONTEXT IN WHICH IT HAD BEEN PRESENTED. WE STRONGLY RECOMMEND THAT SOAMES BE ADVISED TO EXCLUDE FROM HIS REPORT THAT PORTION OF OUR PRESENTATION DEALING WITH THE MORE
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GENERAL QUESTION OF EC ARRANGEMENTS WITH EUROPEAN NON- MEMBERS SINCE THIS LATTER POINT WILL, HE BELIEVES, CALL INTO QUESTION BASIC RELATIONS WITH THESE COUNTRIES AND CONFUSE OUR OTHER EFFORTS ALREADY UNDERWAY ON OTHER ASPECTS OF PREFERENTIAL POLICIES. END SUMMARY.

2. ASSISTANT SECRETARY STOESEL AND AMBASSADORS MALMGREN AND GREENWALD MET WITH EC COMMISSION VICE PRESIDENT SOAMES AND DIRECTOR GENERAL WELLENSTEIN ON MAY 13. STOESEL' S PRESENTATION CLOSELY FOLLOWED TALKING POINTS PREPARED IN WASHINGTON.

3. IN REPLY SOAMES STATED THAT HE SAW TWO SEPARATE ISSUES RAISED BY THE US PRESENTATION. THE FIRST RELATED SPECIFICALLY TO THE AGREEMENTS WITH SPAIN AND ISRAEL. ON THIS ISSUE, SOAMES AND WELLENSTEIN BRIEFLY SKETCHED THE PRESENT STATUS OF THE MEDITERRANEAN POLICY DISCUSSIONS. THEY NOTED THAT THE COMMUNITY IS CONCENTRATING ITS PRESENT EFFORTS ON DEVELOPING MANDATES FOR THE NEGOTIAIONS WITH THE MAHGREB COUNTRIES AND WITH MALTA. THE SPANISH AND ISRAELI MANDATES WILL COME LATER. HOWEVER, THE COMMUNITY IS COMMITTED TO RENEGOTIATE THE SPANISH AND ISRAELI AGREEMENTS BY THE END OF THE YEAR.

4. IN RESPONSE TO MALMGREN' S REPORT OF EBAN' S CONVERSATION WITH SHULTZ, SOAMES DENIED THAT HE HAD HAD ANY INFORMAL NEGOTIATING SESSIONS WITH EBAN OR THE ISRAELIS. HE HAD SEEN EBAN IN FEBRUARY AT THE TIME OF THE SIGNATURE OF THE PROTOCOL EXTENDING THE COVERAGE OF THE PRESENT EC- ISRAELI AGREEMENT TO THE THREE ACCEDING STATES. HE HAD ASKED EBAN WHAT ISRAEL FELT WAS MOST IMPORTANT IN ITS DEVELOPING RELATIONSHIP WITH THE COMMUNITY. EBAN HAD REPLIED THAT ISRAEL WANTED TO NEGOTIATE A FREE TRADE AREA WITH THE EC AND WANTED THAT AGREEMENT IN PLACE BY THE END OF 1973. THIS, SOAMES SAID, WAS THE SUBSTANCE OF HIS CONVERSATION WITH EBAN.

5. SOAMES AND WELLENSTEIN SERIOUSLY QUESTIONED THE CONFIDENTIAL

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TIMING OF THE US DEMARCHE ON THE SPANISH AND ISRAELI AGREEMENTS. CONSULTATIONS CARRIED OUT NOW OR IN THE NEAR FUTURE WOULD HAVE TO BE BASED ON THE PRESENT AGREEMENTS ALTHOUGH THE US SAID IT WOULD TAKE ACCOUNT OF ANY NEW MANDATE AND THE EVOLUTION OF NEGOTIATIONS. THEY RECOGNIZED, HOWEVER, THAT THE US HAD RAISED THIS SUBJECT IN THE PAST AND THAT IT HAD A RIGHT UNDER

GATT TO ASK FOR SUCH CONSULTATIONS. THEY THOUGHT THE COMMUNITY WOULD THEREFORE AGREE TO PARTICIPATE IN THE CONSULTATIONS. SOAMES AND WELLENSTEIN ADDED THAT THE COMMISSION EXPECTED TO BE AUTHORIZED TO CONVERT THE PRESENT PREFERENTIAL AGREEMENTS WITH SPAIN AND ISRAEL INTO FREE TRADE AREA AGREEMENTS WHICH IN THEIR VIEW WOULD BE COMPATIBLE WITH GATT ARTICLE XXIV. THE US MIGHT DISAGREE AND MIGHT ARGUE THAT THERE WOULD BE TRADE EFFECTS REQUIRING COMPENSATION BUT THIS WAS THE SAME POSITION WE WERE IN WITH RESPECT TO THE AGREEMENTS WITH THE EFTA NON- MEMBERS.

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C O N F I D E N T I A L SECTION 2 OF 2 EC BRUSSELS 2648

EXDIS

TREASURY FOR SHULTZ; STR FOR EBERLE AND STATE FOR CASEY

6. SOAMES REACTED SHARPLY AND NEGATIVELY TO THE SECOND ELEMENT OF THE US PRESENTATION - I. E., THE PROPOSAL FOR A COMMON SEARCH FOR MORE SATISFACTORY WAYS OF DEALING WITH TRADE PROBLEMS OF NATIONS WITH WHOM THE EC HAS PREFERENTIAL ARRANGEMENTS AND NATIONS PRESENTLY FALLING OUTSIDE THOSE ARRANGEMENTS. BOTH SOAMES AND WELLENSTEIN SAW THIS AS GOING WELL BEYOND THE SPANISH AND ISRAELI CASES AND INTERPRETED IT AS AN ATTEMPT TO REOPEN THE SITUATION WITH THE EFTA NON- MEMBER COUNTRIES. SOAMES SAID THAT THERE WAS UNANIMOUS AGREEMENT AMONG THE NINE ON THE FREE TRADE SOLUTION FOR THE EFTA COUNTRIES AS WELL AS FOR SPAIN AND ISRAEL. HE SAID IT WAS ONE THING TO QUESTION THE ARRANGEMENTS WITH THE YAOUNDE OR THE MAHGREB COUNTRIES BUT WHAT THE US SEEMED TO BE SUGGESTING NOW WOULD PLAY DIRECTLY INTO THE HANDS OF THOSE IN EUROPE WHO CLAIM THAT THE US WANTS TO PUT INTO QUESTION THE DEVELOPMENT OF THE COMMUNITY TO DATE, THE SO- CALLED ACQUIS COMMUNI-

TAIRE. SOAMES SAID THAT WHAT THE US WAS SAYING NOW DID
NOT GIBE WITH HIS DISCUSSIONS WITH CASEY AND WHAT HE
HAD HEARD IN THE PAST FROM OTHER US OFFICIALS. THE US
POSITION APPEARED TO REOPEN THINGS PREVIOUSLY ACCEPTED
AND TO QUESTION THE WHOLE PHILOSOPHY OF WHERE
EUROPE IS GOING AND WHAT IT IS TRYING TO DO. BOTH
SOAMES AND WELLENSTEIN AGREED THAT THE ISSUE CREATED
A DIFFICSLT MANAGEMENT PROBLEM MADE MORE
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